Labor policy could short Circuit City

by Michael Kinsman

It makes no sense for Circuit City to declare war on working Americans.

But that's just what the electronics retailer has done by initiating one of the most anti-employee measures to come along in decades. The company's decision to eliminate 8 percent of its work force reveals a lot more about the company than its belief that it has 3,400 too many employees.

The callous cost-cutting action by the retailer tells 152 million Americans in the work force that it doesn't value quality work or them.

It also reveals that Circuit City doesn't know a thing about retailing.

The nation's second-largest electronics seller said its action was motivated by the desire to cut costs to compete better in today's market.

Times have been tough lately on retailers. Circuit City, which earned $147 million in fiscal 2006, lost $13.7 million in its latest fiscal year even though sales climbed 1.3 percent to $3.9 billion.

The company said it expects to save $110 million next year from its latest cuts, and another $140 million the following year.

So the company cut some jobs to save money, nothing wrong with that.

But it has sent a disturbing signal to every working American that it doesn't value experience, competency or success in its work force. It has terminated its best employees.

The U.S. Bureau of Labor Statistics reported that the average retail worker earned $11.14 an hour in 2005. Presumably, Circuit City targeted workers earning more than that in its cuts.

In its rush to dump high salaries, it has also jettisoned workers who demonstrated their value and

commitment to the company for years as their skills and success allowed them to gain pay increases.

It has sent those people packing. As an additional insult, it has offered to allow those individuals to apply for their jobs in 10 weeks if they will accept lower wages.

Lost in all this is the service aspect of the retail business. Circuit City has just eliminated 3,400 of its most knowledgeable and skilled workers on its floor staff.

There is no doubt that quality of service at the electronics chain will suffer from this latest move. The workers it retains are paid low wages, but also are less experienced and skillful.

Who wants to shop at a company where no one knows what's going on?

And, let's look at the motivation of those existing employers. The company has already shown that it doesn't value or want higher paid workers, and seems determined to employ the lowest cost labor it can. That means entry level workers at every turn.

Who will continue to work at the company for more than a few months, if they know they can't get ahead because they are successful?

This is a dramatic business move. Circuit City apparently no longer cares about the quality of service its staff provides, nor does it care about the long-term interests of its employees.

It plans to use workers, then throw them away. It has declared war on the working person.

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